

NOTICE:

Regarding New Business Capital Improvement Program Description and Guidelines, Page 3 under General Program Eligibility Criteria:

Effective December 12, 2022, eligible businesses requesting program funds to pay for Conditional Use Permit (CUP) application, Site Plan Review (SPR), City issued licenses and permits can submit business license within 30 days upon approved CUP application. If program funds are used to pay for CUP application, SPR, and City issued licenses and permits, these funds will be the first expenditures before any additional expenditures may be requested.



City of Covina

New Business Capital Improvement Program

Program Description & Guideline

Executive Summary:

This Program is designed for new businesses that want to locate/start-up a business at a vacant location that was closed as a result of the COVID-19 pandemic.

Funding Background:

On March 11, 2021, President Biden signed into law The American Rescue Plan of 2021 (ARPA). Included in this bill is \$130.2 billion for local governments to provide area-specific assistance to respond to and mitigate the negative effects of the COVID-19 Pandemic on their communities. Of this, the City of Covina will receive approximately \$11,351,049 in total, of which \$5,675,000 has been received thus far.

On July 6, 2021, the Covina City Council adopted Resolution CC 2021-99, accepting the ARPA funding allotment and appropriating the first tranche of funds towards a wide range of local programs & services, including grant programs to support households and businesses.

Program Purpose & Description:

The Covina City Council approved the New Business Capital Improvement Program as one of the programs to receive ARPA funding. The program will provide financial assistance to businesses to make improvements or help with startup costs in order to initiate business activities at a vacant location that was closed as a result of COVID-19. The purpose of this program is to allow for local businesses to expand or establish business operations and/or revitalize an existing business that was established on **July 1st, 2020** and later. There is \$250,000 in available program funds, and eligible businesses can receive up to \$25,000 each. It is estimated that approximately ten businesses will be able served through this program. Funding will be provided in the form of a

reimbursable grant. In certain cases, payment exceptions can be made depending on the individual business need and financial stability, and such determination will be made by City Staff.

The business will need to create a priority list of what projects they are requesting to use the funds for, and provide a cost estimate for each line item. The City will review applications for eligibility. Depending on program popularity, a lottery may be held to determine which businesses will move forward. Eligible businesses will then complete a full application and subsequent grant agreement, and work with the City if necessary to decide on which requested items will be funded. This will be based on funding availability, and eligibility of proposed expenses. It is possible, depending on the funding request(s), that funds will not be available for all capital expenses requested. Be aware that costs incurred before documents are signed are not eligible for reimbursement under the program. After the grant agreement has been fully executed, the business will have up to **3 months** to submit proof of eligible expenditures and provide all required documents. Eligible expenditures will require three (3) formal written estimates/proposals for all purchases (Include Davis/bacon wage rates, if applicable) along with proof of expenditures. If documentation of expenditures is not provided within this time period, application and request for funds will not be considered complete and not considered for funding.

Eligible businesses will need their property owner to complete a justification statement form to explain how their property has been impacted by COVID-19. This includes vacancies due to tenants closing their operations, difficulty filling empty storefronts due to the pandemic. Only one (1) application per business will be considered. Owners of multiple businesses may only submit one (1) application for one (1) of their businesses that is located within the City. Businesses must have a commercial storefront, and must have employees. Persons who are independent contractors are not eligible for this program.

Please keep in mind that City Staff cannot give tax advice. Therefore, in order to determine if all or part of the grant is taxable please consult your tax advisor.

General Program Eligibility Criteria:

- Eligible Business Types include but are not limited to:
 - Restaurants, coffee shops, bakeries, cafés, gastropubs, etc.
 - Salons, barbers, and other grooming businesses
 - Gyms, day spas, and fitness studios
 - Retail and Commercial stores (such as consumer goods, electronics and appliances, health and sporting goods, furniture, clothing and shoes, kitchen equipment, books and entertainment stores, music and audio/visual equipment, etc.)
 - Franchisee owned restaurants
 - Businesses considered to be “nonessential” in the Covid-19 crisis.

- Eligible businesses can use funds for business capital as listed but are not limited:
 - Machinery, equipment, furniture and fixtures
 - Licenses and permits
 - CUP application
 - Physical non-construction store improvements
 - Signage
 - Lighting
 - Decorating and remodeling
 - Starting inventory
 - Advertising and promotion for opening
 - Lease
- Business must meet all State and local building and zoning codes.
- Building must directly front/face a public right-of-way.
- Eligible businesses in operation will need to provide copy of their active business license in the City of Covina, or have a pending application. Except if the eligible business is using program funds to pay for Conditional Use Permit (CUP) application, Site Plan Review (SPR), City issued licenses and permits can submit business license within 30 days upon approved CUP application. If program funds are used to pay for CUP application, SPR, and City issued licenses and permits, these funds will be the first expenditures before any additional expenditures may be requested.
- Eligible business in operation must not have any unresolved code violations.
- The landlord must complete and sign justification statement form explaining/identifying the negative economic impact the property/store endured during the COVID-19 pandemic period including information about closure and reduction in revenue.
- The business will provide a copy of the lease agreement/mortgage statement for the commercial space their businesses occupies.
- The business will need to provide a W-9 and CA 590 form, and be willing to accept payment from the City.
- The business must provide copies of official filing with the California Secretary of State, if applicable, or local municipality for the business such as one of the following: Articles of Incorporation, Certificate of Organization, Fictitious Name of Registration or Government-Issued Business License.
- All business owners with a 20% or greater ownership will need to submit a copy of an acceptable form of government issued identification.
- Business will need to provide proof of insurance.
- The business will need to provide a business plan that includes a budget, initial start-up costs, fixed costs, variable costs, and critical/optional expenses, and profit margins. Please refer to Attachment A for Business Plan Outline.
- The business must not be delinquent on any existing debt obligations to the U.S government (no past defaults).
- A completed application form.

Ineligible Businesses:

- Home-based businesses
- Independent contractors (i.e., consignment booths, salon chairs, etc.)
- Any national chain that is not locally franchised
- Massage parlors and bail bond services
- Corporate-owned fast-food restaurants (franchisees are eligible)
- Check cashing, bars, liquor stores, smoke/cannabis shops, firearms retailers, pawnshops
- Non-profit organizations
- Real estate salespersons
- Financial businesses primarily engaged in the business of lending, such as banks, finance companies
- Passive businesses owned by developers and landlords that do not operate an active business or occupy the assets acquired, improved, or operated with the grant proceeds (except Eligible Passive Companies under § 120.111)
- Life insurance companies
- Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify)
- Pyramid sale distribution plans. (i.e. Amway, Herbalife, Mary Kay)
- Businesses deriving more than one-third of gross annual revenue from legal gambling activities
- Businesses engaged in any illegal activity
- Private clubs and businesses which limit the number of memberships for reasons other than capacity
- Government-owned entities (except for businesses owned or controlled by a Native American tribe)
- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting
- Loan packagers earning more than one-third of their gross annual revenue from packaging SBA loans
- Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude
- Businesses in which the participating city or any of its Associates owns an equity interest
- Multi-national or publicly traded businesses are not eligible for this program
- Adult businesses which:
 - Present live performances of a prurient sexual nature; or
 - Derive directly or indirectly more than *de minimis* gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature

- Business or owner listed on the Federal Excluded Parties List (EPLS) maintained on www.sam.gov
- Business that does not have an active business license showing the business address is located in the participating city

Monitoring:

All records must be kept for five years past the end of the compliance period.

Labor Standards:

If the project includes construction, rehabilitation and/or machinery installation Federal Labor Standards may apply. This includes the Davis-Bacon Act which requires that workers doing rehabilitation and/or installation receive no less than the prevailing wage as determined by the Act's guidelines. Also, additional regulations may apply.

Procurement/Documentation:

Supporting documentation of use of funds on eligible expenses such as rent receipts, invoices, cancelled checks showing proof of payment for eligible capital will be required to receive grant.

Time Period:

Application processing takes approximately 3 weeks from the time a completed application is received.

Application and Award Process:

Step 1.	Pre-Applications will be accepted and depending on popularity, a lottery will be held. Pre-Applications are made available and will be accepted until (day of week), July 25, 2022 at 5:00 p.m., or until 20 pre-applications have been received, whichever is first. In the lottery, the first ten names pulled will be invited to complete a full application and move forward in the evaluation
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	process. 10 back up names will be chosen and will be contacted if any of the original ten are no longer qualified for the program.
Step 2.	You will be contacted by a City representative within 5 days of the lottery.
Step 3.	After the lottery is conducted, successful applicants will be invited to complete a full application with all documentation within two (2) weeks of notification of eligibility by the City. If application and all documentation is not completed and return to the City within (2) weeks of notification of eligibility by the City, applicant will be disqualified and the next pre-application will be reviewed. Please see page 1 of application for documents required.
Step 4.	City will begin the underwriting process. Only applications that are complete, with all the required documentation, will be reviewed and underwritten. Incomplete applications will be rejected.
Step 5.	Upon approval of your application, you will review and sign the grant agreement and all other pertinent documents.
Step 6.	Fund disbursement. The approximate processing time between a completed application (including all required documentation) and fund disbursement is 3 weeks.
Step 7.	Documentation of expenditure. Business will be required to provide documentation of how the funds were spent, within three (3) months of receipt of City grant funds. This could be provided in the form of cancelled checks, receipts, or a bank statement highlighting the uses if a debit system of payment is used. If documentation of expenditure is not provided, funds must be returned to the City.

ATTACHMENT A
Business Plan Outline

<p>1. Description of Business</p> <ul style="list-style-type: none"> • Name and location • Legal structure • Principal owners • Nature of the business • History of the business • Franchise: include Franchise Agreement with FTC Disclosure <p>2. Product or Service</p> <ul style="list-style-type: none"> • Describe product line(s) or types(s) of service • Describe materials and supply sources • Methods of production • Quality and cost of production or service <p>3. Market Information</p> <ul style="list-style-type: none"> • Market area and trends • Customers and potential new customers • Competition, names, locations and size • Advantage of your product/service over others <p>4. Advertising</p> <ul style="list-style-type: none"> • Methods of advertising and promotion • Sales methods • Pricing policy • Customer service <p>5. Facilities</p>	<p>6. Management and Personnel</p> <ul style="list-style-type: none"> • Management expertise • Key personnel (position, qualifications) • Professional services • Present and future manpower requirements • Personnel breakdown-skill levels, hours, wage rates, unionization, etc. <p>7. Benefits to the Community</p> <ul style="list-style-type: none"> • Job created/retained • Building rehabilitation • Meeting community needs • Increase community tax base <p>8. Summary of Future Plans</p> <ul style="list-style-type: none"> • Short range and long range • Expansion • Relocation • Three years of projections (first year broken down by month) <p>Note: the business plan is an important component to your loan package. It will show how well your proposal has been thought out. One paragraph for each number item is sufficient. An overall length of 2-5 pages is adequate</p>
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<ul style="list-style-type: none"> • Location • Size and zoning • Age and condition • Expansion opportunities 	
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